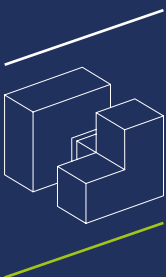




Impact Report

2019



frontclear

A financial markets development company

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Introduction

Frontclear is a financial markets development company dedicated to stable and inclusive money markets in emerging and developing countries ("EMDCs"). Its core investors are European development financial institutions and governments.

Frontclear unlocks access to global and local interbank markets for EMDC financial institutions by providing credit guarantees to cover counterparty credit and related risks. Frontclear complements its risk bearing capacity with the provision of technical assistance to remove barriers to money market development. Technical assistance is focused on regulatory and legal reform, industry training and financial market infrastructure development – all targeting the development of liquid global and local money markets.

Money markets are central to the functioning of financial systems and their ability to support economic growth and poverty reduction.

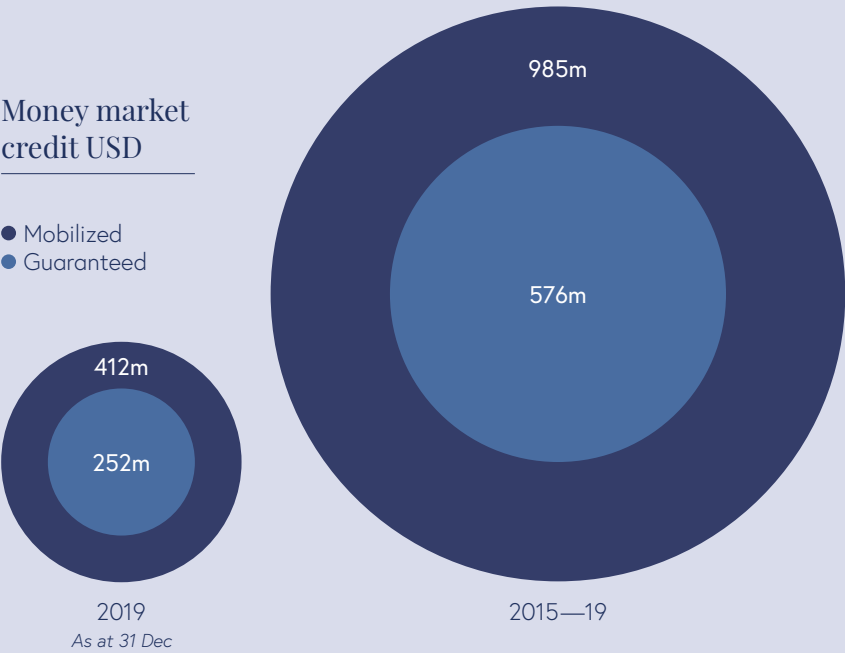


Money Markets Matter
Philip Buyskes, CEO Frontclear




In short

Money market credit USD

- Mobilized
- Guaranteed



Money market systems	As at 31 Dec 2019	2015—19
Financial knowledge trainings	7	42
Legal and regulatory reviews	6	15
Market infrastructure studies	12	19
	25	75

	 Countries	 Projects	 Network partners ¹
As at 31 Dec 2019	8	11	20
2015—19	25	36	75

Our investors



¹Onboarded beneficiary banks, regulators and private sector contributors.

Ramping up impact



Axel van Nederveen
Supervisory Board Chair



Philip Buyskes
Chief Executive Officer

“

2019 has been a remarkable year. Frontclear has cemented its role as a committed counterparty and thought leader to its global partner beneficiary banks, EMDC banks and regulators, and international policymakers. In a relatively short timeframe, Frontclear has reached a level of recognition beyond compare.

Without first securing a solid 'foundation' in money markets, it is not possible to establish deep domestic capital markets that contribute to economic growth and poverty reduction. Frontclear, through all its activities, transactions and extensive network building, has greatly contributed to global awareness on the very fundamental role of money markets and the critical policy implications.

An important achievement in 2019 was the ramping-up and increased global recognition of Frontclear's Money Market Diagnostic Framework (MMDF). 2019 saw the MMDF implemented in another six countries including three outside of the previous Frontclear scope. It is an invaluable exercise to learning and the result produced is a visually represented baseline that provides an in-depth assessment of a country's money markets. This serves as a starting point for sequential and well-structured improvements to the workings of a money market and the wider financial system.

Frontclear's 2019 results confirm its growing impact on money market development in its target markets, which the Company will continue to scale in 2020 and beyond. A key target will be to harmonize and align approaches to money market analysis with the MMDF possibly becoming the global standard among IFIs and policymakers. The Supervisory Board is pleased with the progress realized on all fronts throughout the year. As Chair, I would like to show my appreciation to my fellow Board members and the Investment and Donor Committees for their commitment to upholding Frontclear's high standard of governance. We would like to thank the CEO, CRFO and all staff for their dedication and hard work towards securing this 2019 impact result.

“

2019 saw Frontclear further accelerate along its path towards realizing system-wide impact. The guarantee notional portfolio stood at USD 252 million as at 31 December 2019, with issuance increasing 48% year-on-year. The guarantee portfolio facilitated USD 412 million in money market transactions in 8 countries and was furthermore underpinned by the focused provision of technical assistance, tackling numerous market-wide impact activities including the realization of much needed regulatory reforms and improvement of financial infrastructure.

This year Frontclear has further ramped-up its activities in line with its development impact and growth strategy. We have deepened results in countries where Frontclear began working prior to 2018, as illustrated by the Ghana case study in this report (see page 16). We are also excited to confirm Frontclear has now expanded its activities across all emerging and frontier regions, having closed 2 first-time transactions in Latin America (Ecuador and Costa Rica) and having begun implementation of new technical assistance projects in these countries as well as in Ukraine and Ethiopia. Frontclear's position as global financial sector development partner was further demonstrated through the conclusion of new central banks partnership agreements in 3 countries, including Uganda, where significant progress is being made towards achieving a more conducive regulatory framework and market infrastructure.

Key to our ability to further scale impact, Frontclear increased total committed capital by 102% to USD 279 million in 2019. For the first time, Frontclear's capital base includes private sector commitments in the form of USD 75 million portfolio excess loss insurance. The new commitments add significant flexibility to our capital-raising capabilities going forward and expands our transaction capacity both in terms of volume and individual size. Besides Frontclear's unique blended capital structure, we have successfully crowded-in private sector funding into our active markets. Indeed, of the USD 985 million in money market transactions facilitated by Frontclear by year-end 2019, more than 63% was ultimately absorbed by private capital, demonstrating our guarantees' catalytic effect. As this report highlights, our transactions and technical assistance have laid the groundwork for follow-on transactions and impact in the wider market.

Frontclear's momentum and scaling of impact is only possible because of our committed investors, our partnerships and our staff. On behalf of the Management Board, we wish to thank our stakeholders for their commitment to Frontclear and towards establishing stable and inclusive interbank markets in emerging and frontier countries.

Impact strategy

Well-functioning money markets are a pre-condition to stable financial markets that absorb risk and allocate capital to enable poverty reducing economic growth.

Frontclear is strategically focused on building stable and inclusive money markets by committing long-term and adapting activities for each market. As a conceptual guideline stemming from Frontclear experience to-date, our Impact Strategy can be divided into 3 evolutionary stages: 1) Opening; 2) Mid-development and 3) End-target.

The Impact Strategy reflects the complementarity and interoperability of Frontclear's two key activities: 1) financial guarantees; and 2) capacity development (technical assistance). A nascent money market may require a 7-10 year commitment from Frontclear to support the development of stable and inclusive money markets.

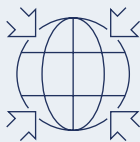


 Watch | View the Frontclear film on Money Markets

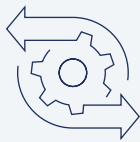
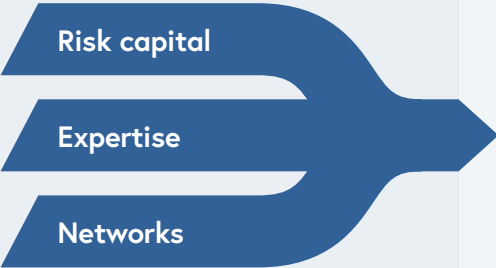
Performance relative to the Impact Strategy is measured and reported using Frontclear's practical framework, The Theory of Change (TOC).



Theory of Change (TOC)



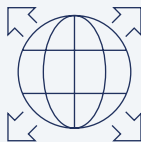
Inputs



Activities

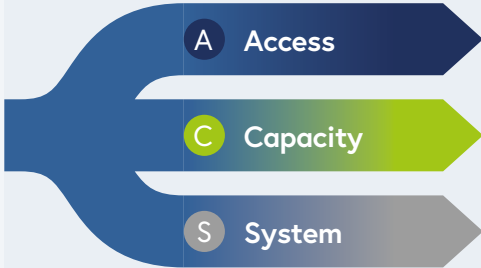
Connecting local & global market participants

- 1
By issuing financial guarantees to absorb credit, market and country risk
- 2
By removing markets hurdles through money market expertise and advisory



Outputs

Increased readiness of counterparties & stakeholders

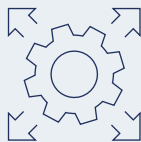


IMMEDIATE

- # of local banks onboarded A
- # of regional and global banks onboarded A
- # of knowledge partner agreements C
- # of agreements with central banks and local banking associations S

FINAL

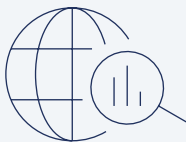
- Volume funding guaranteed A
- # and type of transactions closed (cross-border, principal, onshore, multi-party, plug-in) A
- Funding diversity (country tier, currency) A
- # of money market trainings C
- Training satisfaction C
- Training diversity (country, tier, participant [bank or regulator], topic) C
- # of and areas identified advisory and feasibility review S
- Volume in-kind contribution knowledge partners (mobilized) C



Outcomes

Increased utilization of local money market for participants

- Volume funding mobilized A
- Shifts in counterparty funding volume A C
- Shifts in counterparty funding types A C
- Shift in counterparty funding sources (relationships) A C
- Use of derivatives A C
- Increased knowledge (bank and/or regulator) C S
- # legal reforms achieved C S
- # market infrastructure solutions achieved C S



Impact

A more stable & inclusive money market

- Inclusive:
Shifts in # bank interbank participation (tier) (multiplied by plug-in/multiparty transaction) A C S
- # bank participation in repo and swap markets (catalyzed) A C S
- % access banks to interbank markets A C S
- Interbank market volume/GDP growth A C S
- Stable:
Shifts in bid/offer spreads A C S
- Effectiveness monetary policy transmission A C S

Theory of Change *in practice*



Amgalan Battulga
Head of Treasury Management
Development Bank of Mongolia

"The increased funding options and reduced risk exposure have proven beneficial to DBM and our client business. The bank's on-lending in local currency – MNT – has not pushed the forex risk to the borrowing clients. In the long-term, this improves the asset quality of the bank's client portfolio and the options to the clients themselves."

Key Indicators

- Volume funding guaranteed:**
- USD 20m cross-currency swap transaction with SocGen (Oct 2019)
 - USD 30m cross-currency swap transaction with SocGen (Dec 2018)
- Shifts in counterparty volume, types and relationships:**
- 3 years funding tenor up from 6 months
 - 1 additional global bank relationship
 - Improved cost of funding on new and renegotiated lines



Lungisani Zulu
Sr. Legal Counsel
Legal Services Department
Central Bank of Zambia

"The Zambian market recognizes Frontclear as a neutral party committed to our local money market development, bringing expertise, networks and convening power among local and global parties. Under our MOU with Frontclear, in 2019, we realized a detailed Review and Recommendations of GMRA and ISDA enforceability. We at the Bank of Zambia, had been of the view that the regulatory wording was adequate to support investor confidence, but the Review confirmed that a more precise wording would better achieve the goal for all the market's stakeholders. Netting legislation is still in process, but we are reviewing internal manuals on securities secondary transactions to align with the recommendations. There is also more clarity on the provisions of the Banking and Financial Services Act (BFSA) in so far as they ensure that netting-off of obligations prior to any involvement of the BOZ or liquidator at insolvency is done without any restrictions. This input feeds into our work with the South African Development Community (SADC), where we hope to continue working with Frontclear."

Key Indicators

- Agreement with central bank**
- Increased knowledge regulator:**
- Input towards Netting Act
 - Input towards SADC regulatory understanding
- # Legal reforms achieved:**
- Revision of the BFSA



Anonymous
Director Emerging Market Sales
Global bank
London based

"Our relationship with Frontclear has brought us new transaction opportunities and reduced our costs of doing business in EMDC. It's the local legal understanding translated to solidly structured legal documentation plus guarantee structures that dramatically reduce our credit and legal concerns. We've done repo in Ghana for the first time with existing clients and realized opportunities in new LATAM and former CIS markets. Frontclear's commitment to opening up EMDC through extensive money market development, is an advantage to all banks like ours."

Key Indicators

- Onboarded global bank**
- Volume funding mobilized:**
- USD 105m across various transactions
- Increased knowledge bank**



Serhii Ponamorenko
Director Open Market Operations
National Bank of Ukraine

"At the National Bank of Ukraine's request, Frontclear trained both front and back-office staff to be ready to operationalize derivative transactions once the pending close-out netting legislation is approved by Parliament. The Understanding and Implementing ISDA course participants 'strongly agreed' that the course contributed to their skills, knowledge and awareness."

Key Indicators

- # of money market trainings:**
- Training 1: Understanding and Implementing Repo and GMRA
 - Training 2: Understanding and Implementing ISDA Documentation
- Training diversity:**
- Trainings 1 and 2: 87 participants
 - 24 from regulators, 17 from Tier-1 banks, 43 from Tier-2 banks and 3 from NBFIs
- Increased knowledge bank or regulator:**
- 100% agreed that both trainings 1 and 2 contributed to participant knowledge and skills

Theory of Change *in practice*



Wendy Rodriguez
CFO
Banco del Austro Ecuador

"The transaction would not have been possible without Frontclear having played a catalytic role. The local bonds would never have been accepted as eligible collateral by off-shore lenders without the Frontclear guarantee and relationship-brokering. Aside from the guarantee, we benefitted from Frontclear's GMRA expertise and Technical Assistance. This was the bank's first GMRA-documented trade and we welcomed Frontclear's facilitation throughout trade execution. It allowed our internal teams to gain a better understanding of how these contracts work; important to all future transactions."



George Asante
Head of Global Markets
Absa South Africa

"Absa would not have upsized its exposure to the counterparties without Frontclear providing an option to risk-out. From a bank risk perspective, we had reached our maximum appetite for interbank lending with both segment and counterparties in Nigeria and Tanzania. The Frontclear guarantee made it possible to expand the lines to these existing relationships."



Arnold Bagubwagye
Deputy Director
Financial Markets Department
Central Bank of Uganda

"The Memorandum of Understanding (MOU) with Frontclear covers many activities, including the Legal & Regulatory Review and Reform completed largely 2019, but also the Money Market Diagnostic Framework, the Bond Market Governance review and recommendations plus the introduction of an Umbrella Guarantee Facility (UGF) – all of which are well underway. It's remarkable that despite the MOU having been signed less than a year ago (early 2019), we've already achieved this much. Next on the agenda is following-up on the regulatory recommendations by drafting a directive and a bill; an effort we're already starting."



Bernardo Alfaro Araya
Superintendent of Financial
Institutions (SUGEf)
Costa Rica

"Back in May 2019, Frontclear delivered an ISDA and Derivatives course to our market. While those attending confirmed a better knowledge, the most important result has been our shared understanding that the market's legal issues remain and that the wider legal framework must be addressed."

Key Indicators

- Volume funding guaranteed:**
- USD 20m repo transaction with a global investment bank (Apr 2019)
- Shifts in counterparty volume, types and relationships:**
- Extended the funding tenor
 - 1 additional global bank relationship
 - Improved cost of funding through having developed a benchmark rate
- Increased knowledge bank**

Key Indicators

- Onboarded regional bank**
- Volume funding mobilized:**
- USD 20m across transactions (cross-border and onshore)
- Volume contribution partner (technical assistance facility):**
- USD 250k

Key Indicators

- Agreement with central bank**
- # of money market trainings:**
- 7 trainings and 1 Regulatory Roundtable.
- Training diversity:**
- 227 participants
 - 38 from regulators and 189 from banks
- # of and areas identified for advisory and feasibility review:**
- Legal and Regulatory Review and Reform
 - Umbrella Guarantee Facility
 - Money Market Diagnostic Framework
 - Bond Market Governance
- Increased knowledge regulator**

Key Indicators

- # of money market trainings:**
- Training 1: Understanding and Implementing ISDA
 - Training 2: Practical Deep Dive Derivatives
- Training diversity:**
- Trainings 1 and 2: 62 participants
 - 11 from regulators, 14 from Tier-1 banks, 21 from Tier-2 banks and 16 from NBFIs
- Increased knowledge:**
- 96% and 100% agreed that the trainings 1 and 2, respectively, contributed to participant knowledge and skills

Performance 2019

Guarantee portfolio

As at 31 December 2019, Frontclear had USD 252 million guarantees outstanding which facilitated USD 412 million in money markets transactions across 8 countries. Cumulatively since 2016, Frontclear has facilitated USD 985 million in money market transactions in 13 countries. Of this, Frontclear guaranteed USD 576 million of which USD 211 million was subsequently distributed to the private sector. Frontclear is thus achieving scale by mobilizing nearly 3 dollars of private capital with every dollar in guarantee issuance. With 42% of the cumulative result generated in 2019 alone, a clear acceleration of activity was achieved in 2019. Frontclear issued its first transactions in Latin America, accounting for 9% of the 2019 portfolio by year-end. Sub-Saharan Africa continues to be the largest exposure at 37%, Asia at 20%, the Caucuses at 18% and MENA at 16%. Repo transactions reflect 61% of the total portfolio. For the first time, Frontclear supported access to the non-deliverable swap market, thereby facilitating local currency funding for its obligors.

TRANSACTION TYPES

Frontclear connects EMDC banks to global interbank markets and unlocks domestic markets by providing credit guarantees to cover a transacting institution's counterparty credit risk, on the condition that local currency assets can be used for collateral management purposes.

There are 5 primary transaction structures:

- 1 **Cross-border:** guarantee issued to the global bank transacting money market transaction with a local bank in EMDCs.
- 2 **Principal:** guarantee issued to a global bank acting as hedge counterparty for a Frontclear entity engaging in a direct transaction with a local bank.
- 3 **Onshore:** guarantee one or both local banks transacting OTC with one another.
- 4 **Multi-party:** guarantee to multiple (not all) local banks transacting with one another bilaterally as part of umbrella guarantee facility.
- 5 **Plug-in:** guarantee to financial infrastructure provides such as CCPs and CSDs to facilitate broad money market access.

Portfolio growth

Output indicators

Volume funding guaranteed



Takeaway

Frontclear is focused on the key role of repo in money market development
Averaging 61% of the cumulative guaranteed portfolio, repo remains the predominant financial instrument.

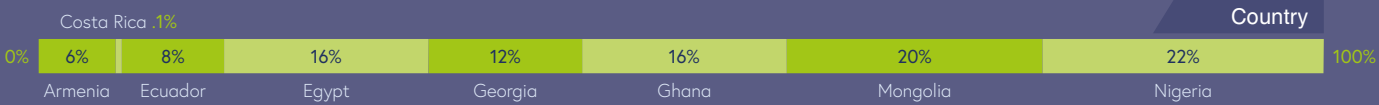
Guarantee results

Output indicators

	2019	2015—19
Local banks onboarded	11	40
Regional and global banks onboarded	1	13

Takeaway

Frontclear reaching greater scale in markets
52% of 2019 transacting obligor banks are Tiers 2 and 3 banks, a 17% increase relative to the cumulative portfolio average.



Outcome indicators

	2019	2015—19
Volume funding mobilized	USD 412m	USD 985m

Shifts in counterparty funding and volume²

Shift in funding tenor:

The transaction has helped the bank – through setting a price guideline – lock into other funding relationships, which carry longer tenors. The bank's funding horizon has been extended to 3 years, eliminating funding uncertainty and exposure to volatility and rollover risks.

Shift in cost of funding:

The cost of funding has improved in the period following the Frontclear transactions. The benchmark set by the transactions offered both a price guideline and a better negotiating position with which to close new trades and to go back and renegotiate lines that were up for refinancing.

Shift in funding volume:

The trades with Frontclear did catalyse additional cross-border trades. In particular, two interbank repo transactions with regional banks following-on to the first transaction with Frontclear.

Shifts in counterparty funding sources (relationships)²

The transaction had a catalytic effect in that the bank has been able to attract an additional relationship with a large investment bank.

The publicity and exposure from the Frontclear trade led to significant reverse inquiry from regional banks as well as local banks (onshore market). The bank is in the process of negotiating and signing a number of GMRAs with three local banks in our quest to expand the local wholesale funding market.

Frontclear brought the additional global counterparty through the trade. As a result, the bank gained exposure to other off-shore banks who became interested in structuring similar funding deals.

"For my bank, we would not have done the transaction without the Frontclear guarantee. Our local relationships are solid as is our structuring expertise, but this is the first time we've done a transaction whereby collateral was posted by local law. Pioneering but not without risk. 100% sure the guarantee made the difference."

Emerging Markets Sales, Global Bank, New York City based

²Excerpt statements from 2019 evaluation surveys.

Ramping up impact in Ghana

The Ghana Baseline: Money market in 2016³

Ghana's capital market is in development but considered relatively illiquid. Market participants are committed to developing capital markets and key decision-makers in Ghana's fixed income markets are actively pursuing a change agenda under the guises of the Ghana Fixed Income Market (GFIM). The Bank of Ghana (BOG), a key GFIM member, puts bond market development high on the agenda. There is a shared understanding that interbank markets are an essential component.

Ghana's capital markets are dominated by institutional and foreign investors. Their approach is largely to 'buy to hold' T-bills and T-bonds at high interest rates and in bulk. This has a negative impact on domestic liquidity and the market's depth. Should this investor group, in particular foreign investors, pull-out due to risk reasons, there is a heightened potential for market instability.

In this context, BOG monetary policy is geared to strengthening the Cedi, including mopping up liquidity plus capital controls and forex position reserve requirements. These actions are further impacting the already shallow interbank markets. Local commercial banks 'hoard' Cedis, constraining access to local liquidity.

The BOG expanded benchmark instruments in the primary market, which has contributed to some interbank market activity, but not enough to allow for price discovery. The limited interbank trading is taking place in a few securities, with participation concentrated among 6 of the 26 total number of banks. The predominately overnight trades are collateralized. Weekly, monthly and 90-day trades are occasional. Larger banks have established unsecured credit lines with some of their counterparts. Bank exposure to other banks is not subject to prudential single obligor limits and can be large.

Currently there are 15 Primary Dealers (PDs) who are expected to underwrite the auctions and act as market-makers in the secondary market. In practice, only 6 are fulfilling their role as market-makers. A well-functioning liquid repo market is critical to further the PD capabilities.

Classic repo is not possible in the Ghanaian market. While not fully transparent in the rules, it is felt at the GSE and among market practitioners that repo in its buy/sell-back form is indeed possible. The limited market practice is to agree to a bond nominal value versus a mark-to-market practice. Market practitioners point to a combination of factors: 1) the lack of price transparency; 2) concerns regarding liquidity of secondary markets; and 3) a lack of understanding as to how to do mark to market valuation. Therefore, bond books are not real values and the market is not Basel II compliant.

In practice, nearly all buy/sell-back transactions are done on 'gentleman's agreements' without official legal documentation such as the GMRA. Banks expressed a strong interest to understand GMRA documentation, noting an uneven playing field in this regard relative to international banks' subsidiaries.

FRONTCLEAR AND GHANA

Frontclear's Investment Committee approved Ghana as a potential market early in 2015, but only for transactions with cash collateral.

The qualifying concerns being:

- 1 the legal framework for repos;
- 2 the current stressed government bond market conditions;
- 3 operational settlement mechanics.

In 2016, Frontclear's Donor Committee approved a comprehensive Ghana technical assistance programme targeting money market knowledge and awareness, mitigating legal and regulatory issues and addressing settlement concerns. The ultimate objective being opening-up the repo market to the benefit of the capital markets development agenda – Phase 1 of the Frontclear Impact Strategy.



Dr. Ernest Addison
Governor
Bank of Ghana

"It's early days, but the signals are there. Since Frontclear's advisory and support to the development and launch of the Ghanaian Repo Market Guidelines, the Bank of Ghana has been approached by many global capital market investors and by local banks alike... all expressing an interest to conduct repo transactions under the global GMRA standard. Frontclear with SocGen and Fidelity Ghana were the first to do so in December 2019, but we see this as just the start to a more liquid interbank market. Frontclear's commitment to Ghana's repo market reforms dates back to 2016, encompassing training, regulatory advisory and transactions. We could have done it without them, but definitely not in the 3 years it has taken to-date. We look forward to the continued relationship to develop the country's money markets into 2020 and beyond."

Key Indicators

Agreement with central bank

of money market trainings:

- 7 trainings and 1 Regulatory Roundtable

Training diversity:

- 314 participants
- 35 from regulators and 279 from banks

of and areas identified for advisory and feasibility review:

- Settlement process

of regulatory and legal reforms achieved:

- Free of Payment (FOP) transfer
- Repo Market Guidelines

Increased knowledge regulator



Lisa Cleary
Senior Director, Associate Counsel
International Capital Markets Association
(ICMA)

"Since 2018, ICMA and Frontclear have been working together as part of a Memorandum of Understanding (MOU). One of the first countries we combined forces is Ghana, where we coordinated with committed regulatory authorities and market participants keen to establish a thriving repo market. ICMA is pleased to be involved in such countries, via Frontclear, because at the early stages of market development it is useful to critically assess the legislative framework and establish market best practice. It provides an opportunity to futureproof the development of cross-boarder repo activities by recommending the adoption of market standard documentation, such as the GMRA, allowing parties to focus on market development rather than divergent legal documentation."

Key Indicators

Knowledge partner agreement

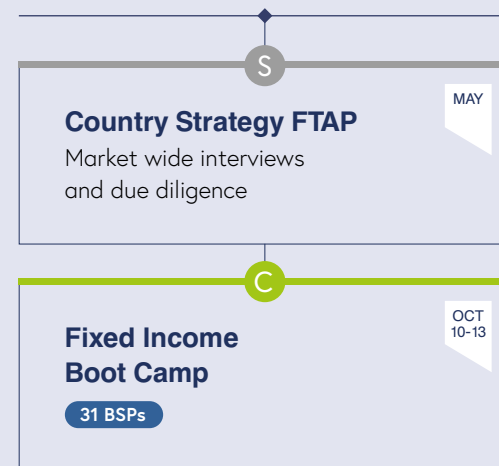
Volume in-kind contribution knowledge partners (mobilized):

- USD 14,250 across Ghana, Zambia and Kenya

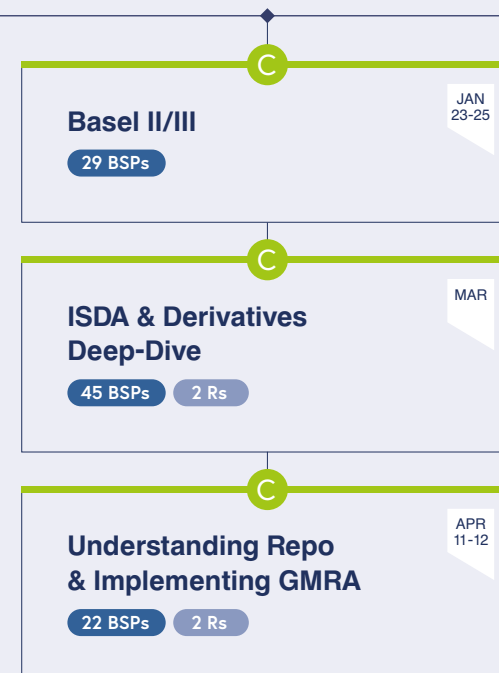
Ramping up impact in Ghana

- A** Access
- C** Capacity
- S** System
- BSPs** Banking Sector Participants
- Rs** Regulators
- A&IRs** African & Int'l Regulators

2016



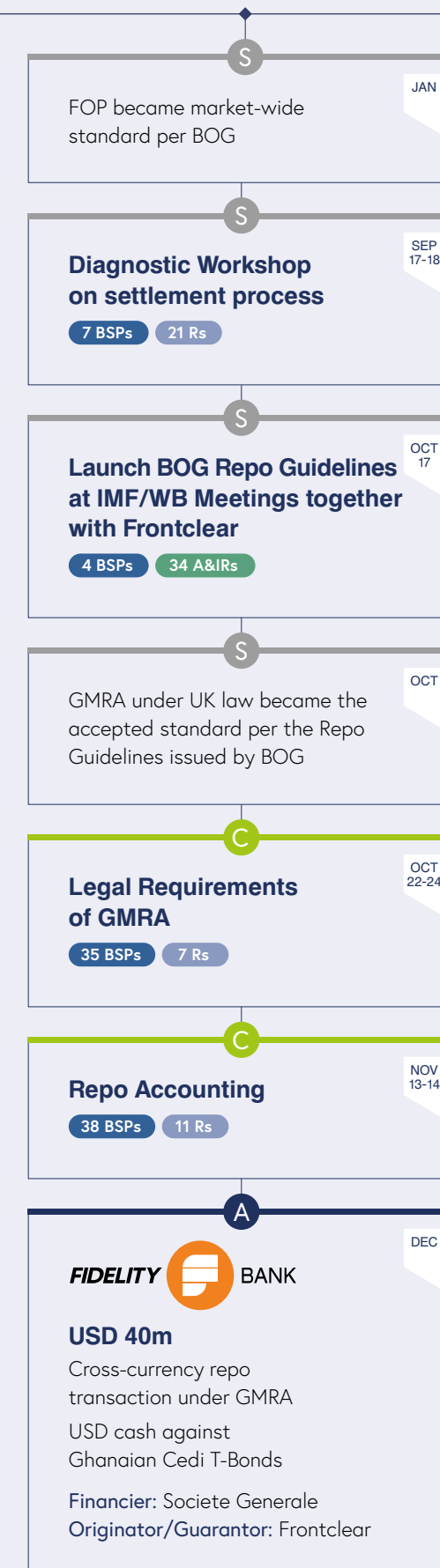
2017



2018



2019



PHASE 1: OPENING
2—3 YEARS

PHASE 2: MID-DEVELOPMENT
3—5 YEARS

Ramping up impact in Ghana



Sam Aidoo
Deputy Managing Director
Fidelity Bank

"We have teams at Fidelity that specialize in a number of sectors that support Ghana's real economy. The manufacturing sector is one such area of focus for us. Having access to short-term wholesale liquidity is integral to adequately supporting many of these industries. The experience and awareness created by the transactions through Frontclear coupled with the drive of our committed regulator (Bank of Ghana) is allowing us to better respond to our clients that support Ghana's economy."

"Fidelity is in the process of negotiating and signing a number of GMRA's with three local banks in our quest to expand the local wholesale funding market. These banks also approached Fidelity in light of the local press and attention around the Frontclear transaction. The demonstration effect of the Frontclear transaction is apparent and the launch of the Repo Guidelines was a clear accelerant. The latter was of course, only possible with the drive of the committed regulator (Bank of Ghana)."

Key Indicators

- Volume funding guaranteed:**
- USD 40m cross-currency repo transaction under GMRA documentation (Dec 2019)
 - USD 40m cross-border total return swap (TRS) (Dec 2018)
- Shifts in counterparty volume, types and relationships:**
- 2 additional cross-border banking relationships
 - 3 GMRA negotiations in-process with Ghanaian local banks
 - Improved cost of funding on new and renegotiated lines
 - Market tenors extended from overnight to 6 and 12 months

Increased knowledge bank



Jérôme Sabah
Global Head of Fixed Income & Currencies
Sales for Financial Institutions
Societe Generale

"Both our Ghana trades would never have been possible without the Frontclear guarantee, local relationships and knowledge. The first trade, a TRS closed December 2018, required strong technical and legal adaptation, as this was Societe Generale's first cross-currency total return swap in Ghana. By leveraging on our solid expertise of collateralized financing solutions and partnering with development institutions like Frontclear, this challenging experience enabled us to explore this new local market. The second trade closed December 2019 was different. The GMRA transaction was more straightforward and better aligned with our existing processes and experience across sales, legal and accounting. It has been a real added value to be able to close this under global best practice GMRA documentation following the launch of the Ghana Repo Guidelines."

Key Indicators

- Onboarded global bank**
- Volume funding mobilized:**
- Ghana: USD 40m cross-currency repo transaction (Dec 2019)
 - Ghana: USD 40m cross-border total return swap (TRS) (Dec 2018)
 - Mongolia: USD 30m back-to-back cross-currency swap transaction (Dec 2018)
- Increased knowledge bank**



Yao Abalo
Managing Director
Central Securities Depository Ghana

"The first diagnostic workshop with Frontclear and their partner ABN AMRO Clearing Bank (AACB) in September 2019, was largely focused on fact finding. But at the same time, we at the CSD became much more aware of potential challenges in the settlement process and the importance of reducing the risks up-front to reduce reliance on a Settlement Guarantee Fund. We do expect and are confident that the more detailed recommendations from the scheduled 2020 interviews will lead to options that we will consider for implementation."

Key Indicators

- # of and areas identified feasibility review:**
- Settlement process: risk management
 - Settlement Guarantee Fund
- Increased knowledge**



Ed van der Star
Business Manager
Global Risk Management
ABN AMRO Clearing Bank

"The October 2019 workshop with the Ghana Central Securities Depository (CSD) in Accra, shed light on some risk-related challenges to smooth settlement finality. Our concrete recommendations have been well received by the CSD and together with Frontclear, we'll be following up in 2020. The work in Ghana is one of the practical ways that ABN AMRO Clearing Bank under the Memorandum of Understanding with Frontclear, can contribute to our key principle of sustainability – it's not just about reducing settlement risk, but about increasing investor confidence and deepening the market's liquidity. The Ghana CSD is a solid base to further develop and support liquidity in the Ghanaian securities and money market infrastructure."

Key Indicators

- Knowledge partner agreement**
- Volume in-kind contribution knowledge partners (mobilized):**
- USD 31,500 across Ghana, Nigeria and Mongolia

Performance 2019

Technical Assistance portfolio

Since 2015, the Frontclear Technical Assistance Programme (FTAP) has implemented 36 projects in 23 countries. A testament to the increasing value-add is the remarkable expansion in regulatory review and market infrastructure projects in 2019. On a cumulative basis, training has accounted for 56% of all projects but this figure declined to 28% in 2019 with 72% of the year's activities focused on reforming regulatory frameworks and addressing market infrastructure challenges.

Frontclear has become a trusted and knowledgeable adviser on money market development. By year-end 2019, Frontclear was working with 4 central banks under formal MOUs focused on deepening their local money markets.

"Bank of Uganda (BOU) experience before the Memorandum of Understanding with Frontclear in 2019, was that Frontclear was already preparing the market. We at the BOU and in the banking sector, needed to be made aware of the context; of the need for repo and the benefits of the GMRA documentation. Through all FTAP roundtables, workshops and trainings from 2016 onwards, the Ugandan market developed the understanding and a sense of importance: We had to know the problem, to be able to appreciate the solution."

Arnold Bagubwagye
Deputy Director Financial Markets Department / Bank of Uganda

In 2019, technical assistance work has been initiated in 8 additional countries. This includes two full programmes in Costa Rica and Ecuador, aligned to the guarantee portfolio. Additional countries include Ukraine and the implementation of MMDF in Morocco, Egypt and Azerbaijan. The geographic expansion in 2019 further reflects Frontclear going to scale.

Frontclear actively partners with knowledgeable grant partners which are invaluable to meeting the growing quantity and quality of activities. Partnerships like those with Absa, ICMA, ISDA and ABN AMRO Clearing Bank, have delivered tangible outputs and outcomes. In 2019, FTAP mobilized additional in-kind contributions equivalent to approximately USD 50,000.

"Frontclear's technical assistance is aligned to an Absa strategic goal: the Bank's positioning and being experienced on the ground, as actively going a step further to fixing the real market challenges. Like our work on the AFMI index, FTAP is a powerful complement. It goes beyond just identifying the market challenges and goes on to resolve them."

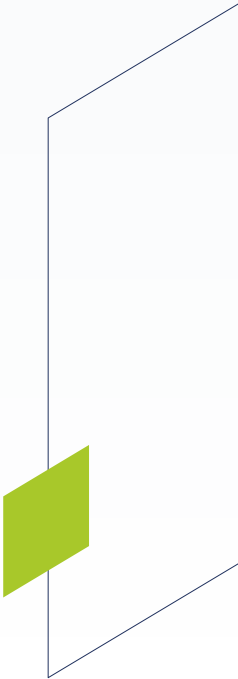
George Asante
Head of Global Markets / Absa

AREAS OF TECHNICAL ASSISTANCE

The Frontclear Technical Assistance Programme (FTAP) spans a wide range of activities, focusing on financial knowledge at the Opening stage of the Frontclear Impact Strategy and higher value-add in Mid-development onwards.

The three target areas are:

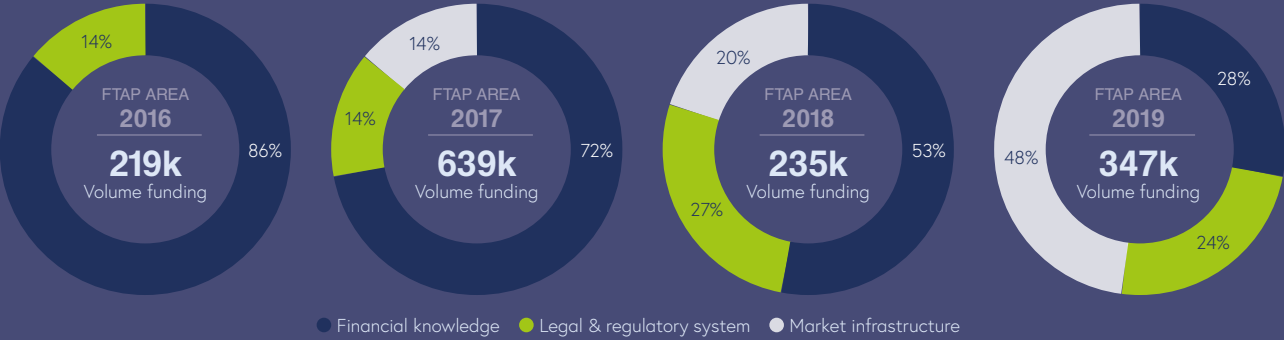
- 1 **Financial knowledge:** basic and medior trainings in money and interbank markets, for regulators and banking industry participants.
- 2 **Legal and regulatory system:** roundtables and legal and regulatory reviews, reforms and recommendations.
- 3 **Market infrastructure:** in-depth reviews and reform of clearing and settlement, central clearing and primary dealer structures. MMDF and multi-country research.



Portfolio results

Output indicators

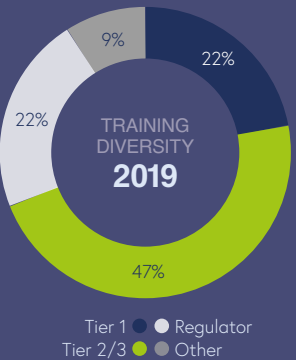
Annual TA expenditure and % breakdown by area



In absolute figures, FTAP 2019 spending shows a 48% increase over 2018. Nonetheless, it is a 47% decrease compared to 2017. Financial knowledge training is relatively less expensive than added-value activities but carries much shorter lead-times. The lower expenditures in 2018 (growing in 2019) reflect the slower, very relevant build-up of advisory activities.

Takeaway

Higher value-add advisory projects are growing
Reaching 72% of all 2019 activities, this marks more than a fivefold increase since 2016.



Financial knowledge trainings	7	42
Training satisfaction	98%	97%
Training participants	257	1413

6 Activities to address legal and regulatory review and reform
12 Activities to address market infrastructure feasibility

Takeaway

Trainings are reaching participants that need knowledge most
Tiers 2 and 3 banks' staff represent 47% of all training participants, while 22% work for a regulatory institution.

Outcome indicators

Increased knowledge (bank or regulator)⁴

Frontclear Technical Assistance Programme (FTAP) has facilitated by emphasizing the importance of money markets and by strengthening the engagement between market participants. The central bank considered the local participants' perspectives and needs stemming from the Roundtable and training and has begun to improve the legal framework for both the master repo and master derivatives agreements.

Legal reforms achieved⁴

The Netting Legislation remains to be changed but proposed revised wording to netting clauses is included. The target remains a clean netting opinion. Relative to the proposed changes to the central bank's internal documents on securities transactions, changes have been made. In particular, there is now more clarity with respect to netting arrangements (for GMRA and ISDA contracts) at insolvency, before the central bank comes into possession. A delay has been accounted for to ensure netting-off of such obligations, prior to any further involvement of the central bank and/or a liquidator.

Market infrastructure solutions achieved⁴

The central bank, Frontclear and OG Research, are working on the Money Market Diagnostic Framework (MMDF). Like many other developing country central banks, the central bank is seeking effective ways to develop suitable to domestic money market situations. The results of the MMDF diagnostic are expected to shed light on our level of current development and to facilitate prioritization of necessary steps.

Outlook 2020

Money markets are central to the functioning of capital markets and their ability to support economic growth and poverty reduction – money markets are fundamental to resilient financial systems. 2019 saw Frontclear ramp-up its development impact, unequivocally demonstrating its ability to combine risk-bearing capacity, technical assistance and networks to achieve system level change. In Ghana and other markets featured in this Impact Report, Frontclear has helped lay the groundwork for the emergence of inclusive and stable money markets.

At the time of writing this report, the world faces an unprecedented economic crisis following the outbreak of the Covid-19 pandemic. Emerging markets are particularly badly hit, with capital outflows having already exceeded USD 100 billion, more than 3 times larger than during the 2008 financial crisis. Access to liquidity and risk management instruments for EMDC banks are again constrained, precisely when they are required to go "above and beyond" to absorb the economic shock by extending emergency credit to SMEs and households. No doubt the goal of establishing stable and inclusive money markets in emerging and frontier economies is more important than ever.

With the results achieved in 2019, Frontclear is well-positioned to accelerate scale in order to play a decisive role in stabilizing money markets going forward. Frontclear is seeking to refocus on realizing "plug-in" projects as it has become clear that such market-wide onshore initiatives would have a material impact on financial conditions in future crises. It is also fast tracking the launch of the Frontclear Academy, an online e-learning platform, to replace physical courses in target markets.

Our ambition is that Frontclear emerges stronger from the crisis, having demonstrated the importance of its mandate and the effectiveness of its solutions and development Impact Strategy. The 2019 structural changes to the capital and liquidity positions have positioned Frontclear to raise more capital in the coming years, all in order to play a bigger systemic role during this crisis in 2020 – Frontclear's 5th year of operations – and beyond.



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